

Draft Report to the
Water Policy Task Force Executive Committee
on the
September 8, 2005 Meeting of the Funding Subcommittee

Members Attending:

Gene Glock
Ron Bishop
Dave Sands

Jay Rempe
Don Kraus

Ann Bleed
John Turnbull

Others Attending:

Mike Clements
Jasper Fanning
Steve Gaul

Lumir Jedicka
Tom Schwarz

Jim Cannia
Rod Horn

- Gene Glock called the meeting to order at 9:00 A.M. in the office of the Central Platte Natural Resources District in Grand Island. He said that the challenges of the meeting would be taking information supplied by the Natural Resources Districts, deciding on budgeting, and supplying funding recommendations to the Director of Natural Resources.
- Ann Bleed indicated that what the task force decides carries weight and that the Governor will want to know what the task force thinks and whether it was a split vote.
- Gaul distributed tables showing summary results of a survey on Natural Resources District projected integrated management costs and a table showing a draft NDNR Integrated Management budget for FY06 and FY07 based upon the currently available appropriation (attached).

Local Funding Needs

Glock indicated that the distributed tables gave subcommittee members an idea about the magnitude of expected NRD costs and that the committee needed to suggest how to address those costs. He said that some had experienced concern that the permissive alternatives for allowing NRDs to raise funds would later be made mandatory.

There was early discussion of the proper distribution of expense between NRDs and state government as related to local funding. Fanning indicated that the state needed to be part of the solution because they had not provided mechanisms for NRDs to shut down development earlier. He said there was concern about what would happen with \$2 billion equity in the area if Kansas shut down Nebraskas wells to meet the compact. He later indicated a concern that if the drought continued it seemed possible they could shut down every well in their area and still not meet compact requirements. Clements indicated his board was strongly opposed to any additional

taxation. He said they are already allocating tightly with an 11 inch or 12 inch allocation and can't tax on top of that. One committee member suggested that 40% local versus 60% state cost share might be appropriate because of the lack of taxing capacity at the local level.

There was discussion of the original subcommittee local level recommendations applying to overappropriated and compact areas for (1) increasing the NRD taxing authority one cent on property tax, (2) providing authority to levy a fee on irrigated acres of up to \$10 per acre, and (3) authority to change a per acre pumped/diverted fee. One committee member suggested that any increase in the levy should be for all NRDs. However, he felt the other increases should only apply to NRDs with overappropriated or compact areas. Several subcommittee members indicated others had expressed concerns to them about the per-acre fee recommendation and one subcommittee member indicated that it had been such a lightning rod that the subcommittee might want to rethink it. There was discussion about why it was recommended that only overappropriated and compact NRDs be given the extra taxing authority and suggested that only those NRDs would need the money. There was discussion of whether property tax authority alone would supply the need of other districts. One committee member suggested that state Senators will ask how many NRDs are levying up to their limit now and that figures need to be developed to show that information.

There was discussion of what funding needs might be in overappropriated and compact districts. One participant said that in his district a \$10 per irrigated acre fee would generate about 4.7 million per year and indicated that type of sum would not be needed for the long term. A subcommittee member indicated that in the late 1980's and early 1990's that an optimum number of acres had been developed in the Republican without having to cut back and that something would need to be done to address acres developed since that time. Another subcommittee member warned that the federal money being used for temporary buyout of irrigation rights under CREP and EQIP could dry up in order to help address issues rising from Hurricane Katrina. He also indicated a \$5 per head fee on state income tax could raise \$6 million and could be distributed back to the local level.

There was a brief discussion of whether to have some types of funding provisions like a per acre charge sunset unless renewed. Another topic of discussion was whether surface water acres or diversions should be charged in years when no water was available. A final discussion topic was Senator Schrock's proposed use of the property tax on irrigation equipment to address integrated management issues. One subcommittee member indicated he had talked with county treasurers and from their standpoint they could divide out that money fairly easily. However he said it appeared that this would cause a great deal of controversy and opposition among those supporting funding for schools.

In regards to local funding needs there appeared to be general subcommittee consensus on the following topics:

1. The subcommittee continued to recommend making an option available for an increase of one cent in the property tax limitation. However, this would now be for the entirety of all NRDs, not just for overappropriated and compact areas and adjacent fully appropriated areas upstream.

2. The subcommittee continued to recommend providing authority to levy a fee on irrigated acres of up to \$10 an acre with the same area restrictions as before. However it is recommended that a sunset feature be added and that there be no per acre fee in a given year on surface water irrigated acres that do not receive surface water in that year.
3. The subcommittee continued to recommend providing authority to change a per acre inch pumped/diverted fee with the same area restrictions as before. However it was recommended that a sunset feature be added.
4. The subcommittee did not support or oppose the proposal to use personal property tax raised from irrigation equipment to fund integrated management activities.

Funding For State Share

- Jay Rempe (?) distributed a flow chart on potential sources of and uses for a State Water Trust Fund.
- Dave Sands distributed a handout providing his thoughts on a ballot measure for use of Nebraska's Water Resources (attached).
- Ann Bleed distributed a handout containing potential principles for distributing state funding under state integrated management incentive programs (attached).

Bleed indicated that the principles in her handout applied only to distribution of monetary incentives, not to other types of integrated management activity. One subcommittee member suggested that perhaps the principles could be expanded to other types of integrated management funding such as studies. Another member suggested that one of the criteria should be the effectiveness of the expenditure to achieve the goal of returning an area to the fully appropriated state.

Bleed indicated that NRCS was potentially going to provide EQIP money for incentive programs to take land out of irrigation in the Pumpkin Creek Basin. She said that NDNR had been asked whether it may be able to provide up to \$187,000 to help match the federal funds. She noted that the budget material previously distributed indicates NDNR does have funding available but that as yet no official criteria for distribution of incentive funding is in place. There was discussion within the subcommittee and a consensus emerged that given the current circumstances in the Pumpkin Creek Basin it would be appropriate to provide the match for that use.

Glock asked whether there was anything the subcommittee wished to change from its previous recommendations on state fundraising. Rempe explained the per record/tract real estate tax the group had previously supported. He noted some related difficulties with homestead exemptions, other exempt properties, and multiple until properties such as apartment complexes.

The subcommittee continued to support the proposal. Dave Sands indicated that he still supported proposals he had previously made on property tax easements and a ballot initiative for sales tax.

Sands distributed and discussed a proposal for a ballot measure to dedicate a portion of the sales tax to the Water Resources Trust Fund. He noted that Missouri had done something similar to this and that he could invite someone up from Missouri if the group wished.

Rempe noted that for the measure to go to a vote of the people, it would need to be a constitutional amendment and that Senators had opposed these measures in the past. He noted that when Senator Schrock had proposed a sales tax bill five years ago the Farm Bureau had opposed it. He said one possibility was to tell the Director of Natural Resources that the group believes the property tax record fee and the sales tax ballot initiative could be used and the funds could be raised through those means as the Director prefers. There was a consensus that Bishop, Sands and Schwartz should meet to firm up a sales tax proposal.

There was extensive discussion of the level of funding that would need to be raised. One subcommittee member suggested that at least one Senator had preferred that funding for NDNR studies and research including contract work comes from the general fund. Bleed indicated that those needs would probably run about \$1.5 million per year. The group examined the funding needs provided in the NRD surveys. After some discussion the following funding needs table was developed.

Annual Funding Needs (In Million Dollars)

| | <u>State</u> | <u>Local</u> | <u>Total</u> |
|--------------------------------------|--------------|--------------|--------------|
| General Fund-Research/Administration | 1.5 | --- | 1.5 |
| Fully Appropriated Acres | 4.0 | 1.0 | 5.0 |
| Over Appropriated Acres | 10.0 | 5.0 | 15.0 |

The potential for using an income tax set aside for a portion the needed funding was also discussed. One subcommittee member suggested using a combination of property tax and an income tax set-aside until a dedicated sales tax is initiated. Another member suggested that if a sales tax was never initiated it would be possible to stay with the property tax. Some members also suggested it would be worthwhile for Sands to invite a speaker from Missouri who was familiar with their sales tax measures.

The subcommittee also suggested that Gaul re-contact Natural Resources District managers and ask them for a one paragraph explanation of the budgeting material they had submitted for the Survey of Potential Natural Resources District Integrated Management Planning budgets.

The meeting adjourned at 2:00 p.m.